

ORIGINAL

NEW APPLICATION



0000094919

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

Arizona Corporation Commission

DOCKETED

MAR 26 2009

COMMISSIONERS

KRISTIN K. MAYES, Chairman

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SANDRA D. KENNEDY

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AZ CORP COMMISSION
DOCKET CONTROL

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IN THE MATTER OF THE APPLICATION
COMMUNITY WATER COMPANY OF GREEN
VALLEY FOR AUTHORITY TO ISSUE LONG-
TERM DEBT OF \$2.810 MILLION.

DOCKET NO. W-02304A-09-

APPLICATION (FINANCING)

W-02304A-09-0153

Community Water Company of Green Valley ("CWCGV") hereby submits its Application to issue \$2.81 million in debt. This Application replaces the currently-pending Amended Application from Docket No. W-02304A-08-0465. CWCGV is seeking to withdraw and have that Docket administratively closed in accordance with the Procedural Order dated March 13, 2009.

CWCGV is seeking approval in this Application to incur \$2.81 million in debt as a Five-Year Term Loan to (1) refinance the outstanding balance of \$2.5 million of the previously approved Line of Credit of \$4 million; and (2) to finance an additional \$310,000 for necessary capital projects. CWCGV has recently negotiated a five-year term loan with Chase. CWCGV believes this new Application (essentially replacing its request from Docket No. W-02304A-08-0465) is in the public interest. It seeks Commission approval for financing in accordance with this Application. Further, CWCGV needs to have an order effective on or before October 1, 2009 so that it can obtain financing by November 2009.

In support of its Application CWCGV provides the following information:

1. CWCGV is a non-profit public service corporation engaged in providing water service in Pima County, Arizona. It has been a non-profit corporation providing water utility service to the Green Valley area since 1977. The Commission approved CWCGV's initial Certificate of Convenience and Necessity ("CCN") to provide water service in Decision No. 47912 (May 1, 1977), when it received assets from Arizona Water Company - formerly known as the Green Valley Water System. CWCGV received an extension to its CCN in Decision No. 57549

1 (September 9, 1991). CWCGV acquired the CCN of New Pueblo Water in Decision No. 60082
2 (February 20, 1997); it has since received subsequent CCN extensions in Decision Nos. 63310
3 (January 11, 2001), 70164 (February 27, 2008), and 70551 (October 23, 2008). CWCGV serves
4 approximately 12,090 customers – most of whom are residential.

5 2. CWCGV's office is located in Green Valley, Arizona and its mailing address is:
6 1501 South La Canada, Green Valley, Arizona 85622-1600, and its telephone number is (520) 625-
7 8409. CWCGV's President is Arturo R. Gabaldón. The person authorized to receive notices and
8 communications regarding this application is:

9 Arturo R. Gabaldón
10 President
11 Community Water Company of Green Valley
12 1501 South La Canada
13 Green Valley, AZ 85622-1600
14 Phone: 520-625-8409
15 Fax: 520-625-1951
16 email: arturo@communitywater.com

17 CWCGV's attorneys are:

18 Jason D. Gellman
19 Michael W. Patten
20 Roshka DeWulf & Patten, PLC
21 One Arizona Center
22 400 East Van Buren Street, Suite 800
23 Phoenix, Arizona 85004

24 All data requests and discovery should be directed to CWCGV's attorneys, with a copy to
25 Mr. Gabaldón.

26 3. CWCGV is currently authorized to charge rates for water service per Decision No.
27 69205 (December 21, 2006). CWCGV filed a rate application December 9, 2008 that Staff found
sufficient on February 11, 2009 (Docket No. W-02304A-08-0590). Even so, CWCGV needs to
have financing approval before the rate case is decided; and it needs approval from the Commission
with an order effective on or before October 1, 2009.

4. The amount and purpose for the requested authorization is to (1) refinance the
outstanding balance of \$2.5 million of the previously approved Line of Credit of \$4 million; and (2)
to finance an additional \$310,000 for necessary capital projects. Without this authorization,

1 CWCGV cannot refinance its debt and its ability to provide safe and reliable service will be in
2 jeopardy. A summary of the purposes for the \$2.810 million including the capital improvements is
3 attached as Exhibit 1.

4 5. CWCGV has successfully negotiated a five-year term loan with Chase Bank. The
5 terms include a fixed principal repayment based on 20-year amortization and a five-year balloon
6 payment — and a variable interest rate to not exceed the CB Floating Rate plus 100 basis points and
7 with a 30 LIBOR plus 250-basis point floor. These terms are more favorable than a fixed
8 traditional loan. Approval of this Application will allow CWCGV to convert its current \$2.5
9 million Line of Credit and to finance the additional \$310,000 in needed capital improvements. The
10 proposed debt will be secured with the assets currently securing the existing Line of Credit. That
11 Line of Credit will be refinanced with the long-term loan CWCGV is seeking approval for with this
12 Application. Debt issuance costs (including an appraisal and .25% commitment fee) are expected
13 to be no greater than \$40,000. CWCGV expects to refinance this loan and seek Commission
14 approval before any balloon payment would be due. A copy of the terms and conditions from the
15 lender is attached as Exhibit 2.

16 6. CWCGV's 2008 net excess revenues over expenses was a negative \$266,763 and its
17 utility plant less accumulated depreciation equals \$30,601,992 as of December 31, 2008.

18 7. CWCGV had originally requested approval of \$3.6 million long-term tax-exempt
19 bonds to refinance its previously approved Line of Credit¹ and additional related facilities in
20 Docket No. W-02304A-08-0465. That application was filed September 5, 2008. CWCGV
21 contemplated obtaining Industrial Development Authority Bonds, but later learned that it was not
22 eligible for tax-exempt bonds. Consequently, on October 10, 2008, CWCGV submitted an
23 Amended Application (in Docket No. W-02304A-08-0465) for \$2.810 million as a One-Year non-
24 revolving Line of Credit (to refinance the \$2.5 million and to finance and additional \$310,000 for
25 necessary capital improvements). At the time, CWCGV was informed that a traditional longer-
26

27 ¹ Approved in Decision No. 67515 (January 20, 2005)

1 term loan would result in higher interest costs than a One-Year non-revolving Line of Credit. On
2 December 31, 2008, Staff issued its Report on the Amended Application. Staff had recommended
3 (among other things) that CWCGV be authorized to borrow funds for one year in an amount not to
4 exceed \$2.810 million. It was around this time that CWCGV realized approval for a one-year non-
5 revolving Line of Credit would be insufficient to address its long-term financing needs. CWCGV
6 would immediately have to file a subsequent application to refinance the entire \$2.810 million,
7 even if the Amended Application from Docket No. W-02304A-08-0465 was approved. In other
8 words, CWCGV would still have to: (1) subsequently secure longer-term financing; *and* (2) obtain
9 additional Commission approval before the expiration of its financing in November 2009. Thus,
10 CWCGV sought to revise its request.

11 8. On January 27, 2009, CWCGV submitted a letter in Docket No. W-02304A-08-
12 0465 – to alert the parties of its need to revise its request. It further noted that it had successfully
13 negotiated a five-year term loan with terms more favorable to it than with the one-year non-
14 revolving Line of Credit – as described earlier in Paragraph 5. On February 23, 2009, a procedural
15 conference was scheduled in Docket No. W-2304A-08-0465 to discuss the proposed revision. At
16 the procedural conference held March 12, 2009, the parties agreed that CWCGV would move to
17 withdraw its Amended Application and request administrative closure of Docket No. W-02304A-
18 08-0465 (as memorialized in the subsequent Procedural Order dated March 12, 2009). CWCGV
19 has so moved – and is filing this Application as permitted in that procedural order as its formal
20 revised request.

21 9. CWCGV must be able to refinance its Line of Credit before November 2009. At
22 that time, the current balance of the Line of Credit will expire. Without the authorization requested
23 in this docket, CWCGV will be unable to refinance this debt. This will adversely affect CWCGV's
24 ability to fund operations and address vital capital needs for its water system.

25 10. For all of the above reasons, CWCGV believes this new Application (essentially
26 replacing its request from Docket No. W-02304A-08-0465) is in the public interest. It seeks
27 Commission approval for financing in accordance with this Application. Further, CWCGV needs

1 to have an order effective on or before October 1, 2009 so that it can obtain this financing by
2 November 2009.

3 11. In support of this Application, CWCGV has attached a copy of the Company's pro
4 forma capital structure as Exhibit 3.

5 12. In further support of this Application, CWCGV has attached a copy of the
6 Company's audited 2008 financial statements as Exhibit 4.

7 13. The purpose of CWCGV's request is for lawful purposes (i.e. to refinance its
8 existing Line of Credit and fund needed infrastructure improvements to its water system).
9 CWCGV further submits that it is within its corporate powers to issue debt it seeks approval for, as
10 reflected in the Corporate Resolution attached to this Application as Exhibit 5.

11 14. CWCGV believes its request is consistent with sound financial practices. As
12 described above, approving the debt financing will allow CWCGV to refinance its existing Line of
13 Credit and fund these necessary improvements in a cost effective manner, while also preserving a
14 balanced capital structure. Otherwise, CWCGV will not have the ability to refinance its existing
15 Line of Credit and may not have the ability to fund these capital improvements – which are vital to
16 ensuring a reliable and safe water supply for CWCGV's customers in the intermediate-to-long
17 term. The proceeds of this financing will be exclusively used toward the above-described purposes
18 and comply with all applicable regulatory requirements. No portion of the funds will be used for
19 operating expenses. Therefore, CWCGV believes its application is consistent with sound financial
20 practices and will enhance the Company's ability to ensure safe and reliable service. For all of the
21 reasons described in this Application, CWCGV believes its request is compatible with the public
22 interest.

23 15. CWCGV intends to provide public notice of this Application as shown in Exhibit 6.
24 CWCGV will have this notice published in a newspaper of general circulation in its respective
25 certificated service areas. CWCGV will file proof of publication with the Commission when
26 available.

27

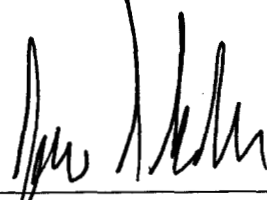
ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 WHEREFORE, based on this Application, CWCGV respectfully requests that the
2 Commission authorize CWCGV to incur debt of up to \$2.810 million under terms and conditions
3 the Commission deems appropriate under A.R.S. §§ 40-301 and 40-302. CWCGV requests that the
4 Commission approve this request so that the order can be effective on or before October 1, 2009.

5 RESPECTFULLY SUBMITTED this 26th day of March, 2009.

6 COMMUNITY WATER COMPANY OF GREEN VALLEY

7
8
9 By


Jason D. Gellman
Michael W. Patten
ROSHKA DEWULF & PATTEN, PLC.
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

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16 Original and thirteen copies of the foregoing
17 filed this 26th day of March, 2009, with:

18 Docket Control
19 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

20 Copy of the foregoing hand-delivered
21 this 26th day of March, 2009, to:

22 Lyn A. Farmer, Esq.
23 Chief Administrative Law Judge
Hearing Division
24 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

25 Janice Alward, Esq.
26 Chief Counsel, Legal Division
27 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

ROSKA DEWULF & PATTEN, PLC

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TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

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Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arturo R. Gabaldon
President
Community Water Company of Green Valley
1501 South La Canada
Green Valley, AZ 85614-1600

By Rebbie Amara

EXHIBIT

"1"

Projects included in the financing of our 2,810,000 application:

Old Debt (Line of Credit)

Arsenic Treat. Plant	\$ 1,626,722.00	
Expense for replacement of Well 7 and 8 with Well 10 and 11 by Phelps Dodge	669,082.05	
3 Vehicles (2007)	90,530.99	
Service Replacements (2007)	113,664.96	
		<u>2,500,000.00</u>

Other

Replacing Boosters at Reservoir #1	35,234.24	
Hardware for AMR	21,930.00	
Rate Case Software Upgrade	15,706.25	
Valle Verde Extension*	92,776.28	
La Canada & Duval Mine Main Lowering	30,208.09	
Warehouse Security	35,778.92	
Wall at Well #9	78,366.22	
		<u>310,000.00</u>
		<u>2,810,000.00</u>

EXHIBIT

"2"



PROPOSED CREDIT FACILITY TERMS AND CONDITIONS –

COMMUNITY WATER COMPANY OF GREEN VALLEY
1501 South La Canada
Green Valley, AZ 85622-1078

JANUARY 28, 2009

Attention: Mr. Pierre Y. Hanhart. – Controller

JPM Chase Bank, N.A. (The Bank), is pleased to provide you with an Expression of Interest for the purpose of outlining the terms and conditions under which the Bank would consider providing financing to Community Water Company of Green Valley to refinance existing debt with Chase Bank, N.A.

Borrower:	Community Water Company of Green Valley. (Borrower)
Guarantors:	N/A
Bank:	Chase Bank, N.A.
Facilities:	An up to \$2,810,000 Term Loan.
Purpose:	Proceeds to be used to refinance existing line of credit with Chase Bank. Existing line was originally issued to finance cost associated with the installation of new water treatment facilities. Available funds (\$310,000.00) will be use to upgrade various plants and equipment.
Term:	Five years from closing date.
Repayment:	This loan will be payable in fifty nine (59) equal installments of principal and interest (based on a 20 year amortization) and one final balloon payment for the remaining balance.
Interest Rate:	Proposed pricing is based on a variable interest rate to be based on the CB Floating Rate plus 100 basis points with a 30 Libor plus 250 basis points floor . Note that the interest rate quoted in this document is for indicative purposes only and subject to change. Market conditions will dictate the actual interest rate at closing.
Collateral:	First DOT on utility plant, land, administrative offices, wells & reservoirs. This is the same collateral that is currently securing the line of credit being refinanced with this term loan.
Financing Documents:	The Credit Facility will be evidenced by a Credit Agreement, Promissory Note and other legal documents (the "Financing Documents"). Additionally, the Borrower will agree to furnish any agreements, instruments and documents reasonably required by the Bank in connection with the Credit Facility.
Representations, Warranties, and Covenants:	As customary for a transaction of this nature, the Borrower shall make certain representations and warranties concerning the Borrower's status as an entity in good standing with the State of Arizona. A commitment letter will be subject to the negotiation, execution, and delivery of documentation satisfactory to all parties. The Borrower will also agree to other representations, warranties and covenants as set forth in this term sheet and as otherwise deemed appropriate by the Bank.
Reporting Requirements:	Financial reporting with respect to the Borrower would be required as follows: <ul style="list-style-type: none">• Community Water Company of Green Valley to provide the Bank with its audited annual financial statements within 150 days from year end.• Community Water Company of Green Valley to provide the Bank with its company prepared semi-annual financial statements within 60 days from 6/30/09 and every year thereafter.

Such other information regarding the operations, business, affairs and financial condition of Borrower as Bank may reasonably request.

**Affirmative
Covenants:**

The Borrower will agree to maintain usual and customary affirmative covenants including, but not limited to maintenance of books, records and inspections, maintenance of insurance, payment of taxes, preservation of corporate existence, rights and authority, maintenance of properties and equipment, compliance with applicable statutes including environmental laws and other reasonable affirmative covenants customary for a transaction of this nature.

**Financial
Covenants:**

Usual and customary for transactions of this nature, including, but not limited to, the following: use and investment of proceeds, change of control, capital expenditures, asset divestitures, liens, acquisitions and business combinations, transactions with affiliates, prepayment of other indebtedness, and additional indebtedness.

**Other
Conditions:**

Other conditions on the Borrower as deemed necessary by the Bank and agreed to by the Borrower.

**Governing
Law:**

State of Arizona.

**Expenses &
Indemnification:**

The Borrower will pay lender expenses of outside counsel related to the preparation, negotiation and closing of the Financing Documents, and indemnify the lender and its respective affiliates, directors, officers, attorneys and employees against all claims asserted and losses, liabilities and expenses incurred in connection with the Credit Facility.

This summary of Terms and Conditions is not intended to be, and should not be construed as, a commitment to lend, nor should it be construed as an attempt to establish all of the terms and conditions relating to the credit facility. It is intended only to be indicative of certain terms and conditions around which credit approval maybe sought, and once approved, how the loan documents might be structured, and not to preclude negotiations within the general scope of these terms and conditions. The proposed credit facilities are subject to, but not limited to Lender receiving formal credit approval. The loan documents containing final terms and conditions will be subject to approval by the Borrower and the Bank.

Once again, I thank you for considering doing business with J.P.M. Chase Bank, N.A. Please do not hesitate to contact me at (520) 281-3315 should you have any question with the terms and conditions outlined in this expression of interest.

Sincerely,

Edmundo M. Gamillo
Vice-President

Agreed and Accepted by:

Community Water Company of Green Valley

EXHIBIT

"3"

EXHIBIT 3

IMPACT OF REFINANCING OF DEBTS ON BALANCE SHEET Using Most Recent Financial Statements (December 31, 2008)

BALANCE SHEET	Before Refinancing	After Refinancing	IMPACT
CURRENT AND ACCRUED ASSETS			
Cash and Cash Equivalents	716,163.76	1,026,163.76	310,000.00
Temporary Cash Investments	248,000.00	248,000.00	
Customer Accounts Receivable	371,252.02	371,252.02	
Plant Material and Supplies	54,139.32	54,139.32	
Prepayments	31,616.49	31,616.49	
	<u>1,421,171.59</u>	<u>1,731,171.59</u>	<u>310,000.00</u>
Utility Plant in Service	39,565,664.13	39,565,664.13	
Property Held for Future Use	543,435.47	543,435.47	
Construction Work in Progress	315,601.12	315,601.12	
Accumulated Depreciation - Utility Plant	(9,279,272.99)	(9,279,272.99)	
Non-Utility Property	1,717,478.34	1,717,478.34	
	<u>32,862,906.07</u>	<u>32,862,906.07</u>	<u>-</u>
TOTAL ASSETS	<u><u>34,284,077.66</u></u>	<u><u>34,594,077.66</u></u>	<u><u>310,000.00</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	154,511.35	154,511.35	
Notes Payable			
- Chase Line of Credit	2,500,000.00	-	(2,500,000.00)
- CAP Loan	191,535.00	191,535.00	-
Accrued Taxes	82,414.89	82,414.89	
Accrued Interest			
Miscellaneous Current and Accrued Liabilities	233,367.85	233,367.85	
	<u>3,161,829.09</u>	<u>661,829.09</u>	<u>(2,500,000.00)</u>
LONG TERM DEBT			
Long-Term Notes and Bonds			
- (New) Chase Loan	-	2,810,000.00	2,810,000.00
- CAP Loan	413,467.00	413,467.00	-
Advances in Aid of Construction	9,524,360.05	9,524,360.05	
Maintenance Reserves	115,845.00	115,845.00	
Contributions in Aid of Construction (Net)	13,857,013.91	13,857,013.91	
	<u>23,910,685.96</u>	<u>23,910,685.96</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>27,072,515.05</u></u>	<u><u>24,572,515.05</u></u>	<u><u>(2,500,000.00)</u></u>
PAID IN CAPITAL IN EXCESS OF PAR VALUE			
Paid in Capital in Excess of Par Value	48,010.29	48,010.29	
Retained Earnings	7,163,552.32	7,163,552.32	
	<u>7,211,562.61</u>	<u>7,211,562.61</u>	
TOTAL LIABILITIES AND CAPITAL	<u><u>34,284,077.66</u></u>	<u><u>31,784,077.66</u></u>	<u><u>(2,500,000.00)</u></u>

EXHIBIT

"4"

DIRECTORS & OFFICERS

Kenneth M. Taylor, Chairman
Brigadier General
USAF, Retired

Warren H. Engelland, Vice Chairman
Retired Vice President
Cargill, Inc.

Virgil W. Davis, Secretary
Retired Director
Electronics Programs
University Research Foundation, Inc.

Thomas J. Sisk, Treasurer
Retired Chief Financial Officer
Ameritech Information Systems

Arturo R. Gabaldón, President
Community Water Company of Green Valley

Roberta Konen
Retired Office Manager and
Theatrical Producer
Fort Walton Beach, FL

Robert A. Lembcke
Retired Director/VP of Manufacturing
Peck, Inc.

Roger L. Rogge
Retired Manager of Operations
Ford Forestry Center
Michigan Technological University

Sandra L. Stone
Retired Secondary School Educator
Syracuse, NY

As of March 31, 2009

2008 Annual Report



Community Water Company of Green Valley

BALANCE
For the years ended
(in

Assets		2008	2007
Utility plant			
Plant in service, at cost	\$	39,566	\$ 38,842
Construction work in progress		315	538
		<u>39,881</u>	<u>39,380</u>
Less accumulated depreciation		9,279	7,991
Total utility plant		<u>30,602</u>	<u>31,389</u>
Plant held for future use, net		<u>543</u>	<u>543</u>
Current assets			
Cash and cash equivalents		716	773
Securities available-for-sale, at market		248	344
Accounts receivable, less allowance for doubtful accounts of \$7,000 in 2008 and \$3,200 in 2007		371	280
Materials and supplies		54	51
Prepayment and special deposit		32	37
Total current assets		<u>1,421</u>	<u>1,485</u>
Deferred charges			
CAP capital charges		1,614	1,557
Other		104	97
		<u>1,718</u>	<u>1,654</u>
Total deferred charges		<u>\$ 34,284</u>	<u>\$ 35,071</u>



To the Members of ...
Community Water Company of Green Valley,
(An Arizona not-for-profit Corporation)

32 Years of Service . . . 2008 was a good year for the operation of your Co-op and our water delivery system performed excellently. Your Co-op was founded in 1977 and has taken a proactive approach to finding solutions for protecting our local water supplies:

- 1985, joined with the State of Arizona to secure water from the Colorado River,
- 1990, began chlorinating the water delivered,
- 2005, began treating for arsenic,
- 2007, completed replacement of wells impacted with sulfates, and
- 2007, announced our efforts to bring renewable water supplies to our area at no cost to our members

Continued protection of our water resources begins with understanding good water conservation practices. Education and active participation in water conservation efforts by our members and regional stakeholders are important elements in protecting our local water environment. Looking to the future, your Co-op is engaged in developing strategies for a sustainable water supply. I encourage you to join us at the annual meeting to learning more about water issues and our local water environment.

Water Quality . . . The water delivered to our members and customers met or surpassed all health and safety measures required by the United States Environmental Protection Agency, the Arizona Department of Environmental Quality and Pima County. We are in full compliance with all reporting requirements.

Water Delivery . . . We pumped 2,674 acre-feet of water from our aquifer in 2008; a decrease of 3.7% from the prior year. The higher billing rates taking effect in 2007, and an increase in rainfall, appear to be reducing our water usage. Rainfall

SHEETS
December 31, 2008 and 2007
Thousands)

Our Mission ...

is to reliably deliver drinking water
to our customers
(that meets all regulated standards),
and to maintain a sustainable water supply
for our customers.

Our Guiding Values

To be good stewards of our members'
trust and economic values;
To provide responsible, professional
service to our customers;
To promote a safe work environment and
to encourage the continued development
of a highly skilled staff;
To advocate for responsible local and regional
development and management of
water resources;
To seek prudent acquisition opportunities
for the benefit of our members and
community; and
To be civic minded.

For additional information on ...

- ◆ Company Rules & Regulations
- ◆ Water Conservation
- ◆ Water Quality
- ◆ Backflow Information
- ◆ and articles of interest ...

Membership Interest and Liabilities

	<u>2008</u>	<u>2007</u>
Membership interest		
Memberships and contributions	\$ 48	\$ 48
Accumulated surplus	7,163	7,430
Accumulated other comprehensive income	<u>1</u>	<u>1</u>
Total membership interest	<u>7,212</u>	<u>7,479</u>
Long-term debt	<u>414</u>	<u>605</u>
Current liabilities		
Accounts payable	155	158
Line of credit	2,500	2,500
Current maturities of long-term debt	192	185
Accrued taxes	82	85
Other liabilities	233	253
Total current liabilities	<u>3,162</u>	<u>3,181</u>
Deferred credits		
Refundable advances for construction	9,524	9,677
Other	115	98
Total deferred credits	<u>9,639</u>	<u>9,775</u>
Contributions in-aid-of construction (CIAC), net	<u>13,857</u>	<u>14,031</u>
	<u>\$ 34,284</u>	<u>\$ 35,071</u>

Please visit our web site at
www.communitywater.com

The accompanying notes are an integral part of the financial statements.

STATEMENTS C
For the years ended Dec
(In Thou

Increase (Decrease) in Cash and Cash Equivalents

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Cash received from customers	\$ 3,049	\$ 3,064
Cash paid for operating and maintenance expenses	(1,973)	(2,000)
Taxes paid	(373)	(361)
Interest paid	(154)	(180)
Interest received	25	74
Net cash provided by operating activities	<u>574</u>	<u>597</u>
Cash flows used in investing activities		
Capital expenditures	(695)	(3,733)
Proceeds from Sale of Capital Assets	13	
Proceeds (purchase) from maturities of securities available-for-sale	96	170
Central Arizona Project (CAP) capital charges	(57)	(1,060)
Net cash used in investing activities	<u>(643)</u>	<u>(4,623)</u>
Cash flows from financing activities		
Proceeds from line of credit	0	1,314
Repayment of long-term debt	(185)	(223)
Proceeds from refundable advances and contributions in-aid-of-construction	444	2,612
Repayment of refundable advances for construction	(247)	(284)
Net cash provided by financing activities	<u>12</u>	<u>3,419</u>
Net (decrease) in cash and cash equivalents	<u>(57)</u>	<u>(607)</u>
Cash and cash equivalents at beginning of year	773	1,380
Cash and cash equivalents at end of year	<u>\$ 716</u>	<u>\$ 773</u>
Non Cash Investing Activities		
Accounts payable purchases of utility plant	<u>\$ 79</u>	<u>\$ 73</u>

MANAGEMENT

Norris L. West
Operations Manager
Pierre Y. Hanhart
Controller & Assistant Treasurer

VOLUNTEER CONSULTANTS

Jerry Belenker
Retired Attorney
USPS Consumer Protection Service
Charles George
Retired- Public Works
Cody, WY
Donna Severidt
Retired Computer Consultant & Manager
Chicago, IL

Community Water Company of Green Valley
1501 South La Cañada Drive
Green Valley, AZ 85622
(520) 625-8409
www.communitywater.com

construction for the two wells was \$12,903,717, which is reported as plant in service at December 31, 2008. The Phelps Dodge receipts represent an addition to the capital of the Company and the receipts are being utilized to offset the acquisition, improvement and construction costs of Company facilities used to provide utility services.

The contributions in-aid-of construction related to this construction project are amortized on the straight-line basis utilizing the annual composite utility plant rate.

7. RETIREMENT PLAN:

The Company has defined contribution retirement plans which cover substantially all full-time employees. Under the provisions of these plans, 10% to 15% of qualified employees' salaries and wages are contributed by the Company to the Retirement Plans for investment by the plan trustees. The Company recorded expenses for these contributions of \$113,217 and \$114,027 for the years ended December 31, 2008 and 2007, respectively.

Under the terms of the 401(k) plan and 401(k) Roth plan, qualified employees can contribute to the plan. Qualified employees become fully vested for employer's contributions in five years of eligible service, as defined in the plan.

8. SUBSEQUENT EVENTS:

In January 2009, the Company provided two retired wells to FreePort-McMoran (formerly known as Phelps Dodge) as part of a settlement agreement. The net balance of these retired wells is \$543,435 (\$858,178 cost basis less accumulated depreciation of \$314,743) at December 31, 2008 See Note 2 – Plant Held for Future Use.

OF CASH FLOW ember 31, 2008 and 2007 (sands)

Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities

	2008	2007
Excess of expenses over revenues	\$ (267)	\$ (93)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	865	643
Depreciation and amortization included in operations and maintenance expense	125	109
(Increase) decrease in accounts receivable	(91)	(45)
(Increase) decrease in materials and supplies	(3)	9
(Increase) decrease in prepayments and deposits	5	(1)
(Increase) decrease in other deferred charges	(45)	(2)
Increase (decrease) in accounts payable	(9)	(54)
Increase (decrease) in accrued taxes	(3)	11
Increase (decrease) in other current liabilities	(3)	20
Total Adjustments	841	690
Net cash provided by operating activities	\$ 574	\$ 597

9

increased from 11 inches in 2007 to 12.6 inches in 2008.

Your Co-op has grown to 12,090 active users connected to the water delivery system; an increase of 2% from the prior year. The system includes 148 miles of mainline pipe and 5.6 million gallons of storage capacity. Co-op members can be proud of the reliability of our water delivery and of the fire protection afforded to our community.

We are currently planning for the replacement of well #6 that was drilled in 1977. The cost of the replacement well is projected to require additional borrowing.

Finances . . . Similar to many customers and businesses in our community we are faced with increased costs. We have evaluated and applied cost savings practices to improve our efficiency and ability to economically deliver water. At present we are operating at a deficit that increases our costs. Total 2008 revenues were \$3,139,969 and net excess expenses over revenues was a negative \$266,763. For the year 2007, our excess expenses over revenues was \$92,780.

We informed our customers in November that we submitted an application for rate increases to the Arizona Corporation Commission. These proposed rate increases result in an additional \$6.80 per month to the average residential water customer, and new fees for some services. The average residential bill is currently \$18.20. If approved, the rate increases will take effect in 2010.

The Central Arizona Project (CAP) . . . We are continuing development of a pipeline and recharge facility to protect our local water environment and to support a sustainable water supply. Alternative water supplies are necessary to address the challenges of depletion, contamination and subsidence. The pipeline and recharge facility project are currently undergoing an environmental review. We are committed to keeping you informed on this important water supply issue.

charges of \$55,731 for the total 2,858 acre-feet in 2008. See **Note 5** for information on related debt.

5. LONG-TERM DEBT / LINE OF CREDIT:

On January 20, 2005, the Arizona Corporation Commission approved debt instruments up to \$4,000,000 for 60 months.

A line of credit was issued for the purpose of financing capital expenditures for new water treatment facilities and to refinance previous long-term debt. The line of credit from JPMorgan Chase Bank has a credit limit of \$2,810,000. The outstanding principal balance on the line of credit is \$2,500,000 at December 31, 2008 and 2007. The line of credit incurs monthly payments of interest at the Chase Bank floating prime rate plus 75 basis points, or the London InterBank Offered Rate (LIBOR) plus 250 basis points. The line of credit will mature on November 15, 2009 at which time any outstanding balance would be refinanced.

In 2007, the Company entered into a long-term agreement with the Central Arizona Water Conservation District for the additional 1,521 acre-feet CAP allocation (see Note 4). The Company opted for a five year payment plan with the first installment due on December 1, 2007. The plan includes annual installments of \$222,995, including principal and interest at 5.2%, with final payment due December 1, 2011. Future maturities of this long-term debt at December 31, 2008 are as follows:

2009	\$	191,535
2010		201,495
2011		211,972
	\$	<u>605,002</u>

6. CONTRIBUTIONS IN-AID-OF CONSTRUCTION:

Included in contributions in-aid-of construction at December 31, 2008 is \$12,242,194 received from Phelps Dodge, of which \$125,077 was received in 2008 and \$2,292,211 was received in 2007. These receipts are contributions for the replacement of two of the Company's wells and are non-refundable. The total cost of

3. INVESTMENT SECURITIES:

The carrying amounts of investment securities as shown in the balance sheets of the Company are as follows:

Securities available-for-sale December 31, 2008 (In Thousands)	Gross Unrealized Gains (Losses)			Fair Value
	Cost			
Certificates of Deposits with maturities of four to six months	\$ 248	\$ 0	\$ 248	
Securities available-for-sale December 31, 2007 (In Thousands)	Cost	Unrealized Gains (Losses)	Fair Value	
Certificates of Deposits with maturities of four to six months	\$ 344	\$ 0	\$ 344	

Expected maturities will differ from contractual maturities since issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

4. DEFERRED CHARGES:

Advance payments relating to future water allocation from Central Arizona Project will be amortized to expense when usage occurs. Other deferred charges include stored water credits with the Arizona Department of Water Resources, rate case expenses and advance land lease rental. The water credits will be expensed when used, rate expenses will be amortized over three years and land rental is amortized over the period of the lease.

In December 2007, the Company acquired an additional 1,521 acre-feet to its previous allocation of 1,337 acre-feet of water annually from the Central Arizona Project (CAP), for a total of 2,858 acre-feet available to the Company's use. The Company incurred \$1,015,665 of municipal and industrial water service capital charges to acquire the additional 1,521 acre-feet and incurred \$44,047 for its first 1,337 acre-feet allocation in 2007. The Company incurred municipal and industrial water service capital

People who serve you . . . Your Board has taken the lead in development of delivery alternatives for CAP water to our area and has represented your Co-op's interests to several State and Federal agencies. Their knowledge of the community and our local water issues has been critical in our efforts for a sustainable water supply.

Your Co-op has a highly skilled staff of about 18 full-time employees with an average of 14 years of service. Their dedication and commitment to their work, the Co-op, and our members are evident in the many letters of appreciation that we have received praising their good work.

Our annual meeting of members is scheduled for Thursday, April 23, 2009, at 9:00 a.m. at the American Legion Hall, Duval Mine Road; registration begins at 8:30 a.m. We encourage you to attend and look forward to seeing you there.

Sincerely,
Community Water Company of Green Valley

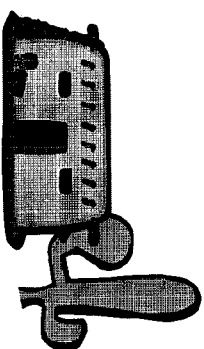


Kenneth M. Taylor, Jr.
Chairman of the Board



Arturo R. Gabaldón
President

March 31, 2009



REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Members of Community Water Company of Green Valley

We have audited the accompanying balance sheets of Community Water Company of Green Valley as of December 31, 2008 and 2007, and the related statements of revenues and expenses, membership interest, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Water Company of Green Valley as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

William J. Conpany

ULLMANN & COMPANY
Certified Public Accountants
March 18, 2009

Statements of Membership Interest For the years ended December 31, 2008 and 2007 (in Thousands)

	Comprehensive Income	Accumulated Surplus	Accumulated Other Comprehensive Income	Memberships and Contributions	Total Membership Interest
December 31, 2006		\$7,523	\$1	\$48	\$7,572
Membership Interest					
Excess of expenses over revenue	(\$93)	(93)			(93)
December 31, 2007					
Comprehensive Income	(93)				
December 31, 2007		7,430	1	48	7,479
Membership Interest					
Excess of expenses over revenues	(267)	(267)			(267)
December 31, 2008					
Comprehensive Income	(267)				
December 31, 2008		\$7,163	\$1	\$48	\$7,212
Membership Interest					

The accompanying notes are an integral part of the financial statements.

Statements of Revenues and Expenses
For the years ended December 31, 2008 and 2007
(In Thousands)

Operating revenues	<u>2008</u>	<u>2007</u>
	<u>\$ 3,140</u>	<u>\$ 3,110</u>
Operating expenses		
Operations	1,783	1,860
Maintenance	269	230
Depreciation and amortization	865	644
Taxes - other	371	372
Total operating expenses	<u>3,288</u>	<u>3,106</u>
Excess of operating revenues over operating expenses	<u>(148)</u>	<u>4</u>
Other (expenses) revenues		
Interest expense	(167)	(187)
Interest income	26	74
Other income, net	22	16
Total other expenses	<u>(119)</u>	<u>(97)</u>
Excess of expenses over revenues	<u>\$ (267)</u>	<u>\$ (93)</u>

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS:

Community Water Company of Green Valley (the "Company"), an Arizona nonprofit corporation, member owned co-op, incorporated in 1975 by the water users of Green Valley and began operations in 1977. The Company provides utility service through the sale of water to residential and commercial customers in a southern Arizona active adult community.

2. SIGNIFICANT ACCOUNTING POLICIES:

Maintenance of Accounting Records - The Company maintains its accounting records substantially in accordance with the Uniform System of Accounts prescribed for Class A water utilities by the National Association of Regulatory Utility Commissioners.

Utility Plant - Utility plant is stated at original cost and consists of contract costs, labor, material and allowances for indirect costs. The cost of maintenance, repairs and minor renewals is charged to expense in the year incurred.

Depreciation and amortization expense is provided for on the straight-line basis utilizing the following annual rates based on the estimated useful lives of the asset. The depreciation rates and balances of major classes of depreciable assets are as follows:

	Depreciation Rate	Balance 12/31/08 (In Thousands)	Balance 12/31/07 (In Thousands)
Utility Plant	2.00 to 12.50	\$ 38,540	\$ 37,835
Computer			
Equipment	20.00	296	266
Backhoe	5.00	107	107
Vehicles	20.00	453	464
Land	N/A	170	170
Total		<u>\$ 39,566</u>	<u>\$ 38,842</u>

The accompanying notes are an integral part of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

Plant Held For Future Use - In accordance with utility accounting procedures, the Company retired two wells from service in 2007 due to sulfate contamination. The wells were reclassified from Plant in Service to Plant Held For Future Use and as a result, are no longer being depreciated. The net balance of the retired wells is \$543,435 (\$858,178 cost basis less accumulated depreciation of \$314,743) at December 31, 2008. See **Note 8** for additional information.

Cash and Cash Equivalents - The Company considers cash in banks and all highly liquid investments purchased with a maturity of three months or less to be cash equivalents for purposes of reporting cash flows.

Investment Securities - The Company accounts for its investment securities in accordance with Statement of Financial Accounting Standards No. 115 which provides that the Company classify investments in securities as either trading securities, securities to be held to maturity or securities available-for-sale. The Company has classified all investments as securities available-for-sale. Securities available-for-sale consists of certificates of deposits. These securities are recorded at fair value with any unrealized gains and losses being reflected as a separate component of membership interest. Gains and losses on the sale of securities available-for-sale are determined using the specific identification method.

Materials and Supply Inventory - Inventory is stated at the lower of cost or market. Cost is determined on a weighted average basis.

Refundable Advances and Contributions for Construction The cost of constructing certain expansions to utility plant has been advanced or contributed to the Company by the owners of the property served by the expansions. The Company repays advances by refunding to the owners specified percentages of the annual water revenue which the Company derives from the expansions. These repayments continue until the advances are fully

repaid or until the expiration of an agreed-upon repayment term.

Contributions for construction are not repaid. Further, if the repayment term of an advance expires before an advance is fully repaid, the unpaid balance is reclassified as contributions in-aid-of construction. Amounts classified as contributions in-aid-of construction are amortized on a straight-line basis utilizing the annual composite utility plant rate.

Refundable advances for construction are non-interest bearing. As of December 31, 2008 and 2007 the Company's refundable advances for construction specify repayment rates up to 20% of applicable annual water revenues and the majority of these contracts contain remaining repayment terms up to 15 years.

Revenue Recognition - The Company's operating revenues are generated through sales of water to residential and commercial customers in the Green Valley area. Revenue consists of monthly cycle customer billings for water service at rates authorized by the Arizona Corporation Commission. Revenue from metered accounts includes unbilled amounts based on the estimated usage from the latest meter reading to the end of the accounting period.

Comprehensive Income - Other comprehensive income consists entirely of net unrealized holding gains and losses on securities available-for-sale.

Income Taxes - The Company is an Internal Revenue Code (IRC) Section 501(a) organization, exempt from taxes by application of IRC Section 501(c)(12).

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. They also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

EXHIBIT

"5"



Community Water Company of Green Valley

I, as Secretary of Community Water Company of Green Valley, a corporation organized and existing under the laws of the State of Arizona, hereby certify that a meeting of the Board of Directors of said corporation was duly called and held on the 27th day of February, 2009; that at said meeting a quorum was present and voting throughout, and that the following resolution on motion duly made and seconded was unanimously adopted and is now in full force and effect:

This resolution is to authorize a Community Water Company debt of \$2,810,000.

Preamble:

Whereas, Community Water Company has an existing debt of \$2,810,000.00 financed as a Line of Credit;

Whereas, Community Water Company has timely paid interest payments as due on the outstanding principal balance;

Whereas, Community Water Company management is requesting authority to obtain replacement debt to meet the outstanding principal balance payment of \$2,810,000.00 that is due and payable on November 15, 2009;

Now, therefore, be it resolved by the Company Board of Directors assembled:

That Community Water Company of Green Valley (Corporation) officers are authorized to timely file application(s) with commercial bank(s), commercial lender(s), or the Water Infrastructure Finance Authority of Arizona (WIFA), and secure loan(s) in the total amount of \$2,810,000.00 to be fully repaid in not more than 25 years at terms favorable to the Corporation;

Further Resolved, that the officers of the Corporation are directed to provide for repayment of the outstanding principal amount per applicable debt policy established by the Corporation and updated periodically;

Further Resolved, that the officers of the Corporation are authorized to timely file required application(s) with applicable regulatory agencies, including the Arizona Corporation Commission, for authority to issue debt instruments and/or other required evidence of indebtedness upon the terms and conditions favorable to the Corporation, and the filing of any and all amendments and supplements to said application(s);

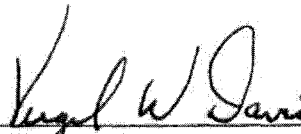
Further Resolved, that the Corporation shall issue debt instruments and /or any other evidence of the indebtedness for up to \$2,810,000.00 under terms and conditions advantageous to the Corporation for the purpose of funding certain plant and equipment upon receiving the requisite authority from the applicable regulatory agencies, including the Arizona Corporation Commission, and subject to other legal requirements;

Further Resolved, that the President and Secretary of the Corporation be, and each of them hereby is, authorized to jointly sign and deliver debt instruments and /or any other required evidence of indebtedness for up to \$2,810,000.00 upon receipt by the Corporation of the full debt proceeds therefore, all in the manner and in the terms and conditions provided in the foregoing resolutions;

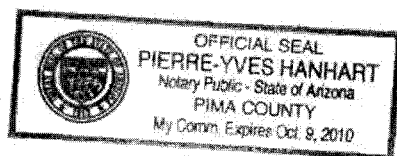
Further Resolved, that the proper officers of the Corporation be and each of them hereby is, authorized, in the name and on behalf of the Corporation, to conduct any and all negotiations, to make any and all arrangements, do and perform any and all acts and things and to execute and deliver any and all officer's certificates and other documents and instruments as they deem necessary or appropriate in order to consummate the issuance and otherwise to effectuate the purposes of each and all of the foregoing resolutions.

The undersigned further certifies that the foregoing resolution has not been rescinded or changed, but is now in full force and effect, and that there is no provision in the Articles of Incorporation or By-Laws of the said Corporation limiting the power of the Board of Directors to pass the foregoing resolution and that the same are in conformity with the provisions of said Article of Incorporation and By-Laws.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the corporate seal of said corporation this 25th day of March, 2009.


 Virgil W. Davis
 Secretary, Board of Directors

Subscribed and sworn before me this 25 day of March, 2009.



Notary Public: 

My commission expires: 10-9-2010

EXHIBIT

"6"

PUBLIC NOTICE OF COMMUNITY WATER
COMPANY OF GREEN VALLEY
APPLICATION FOR APPROVAL
TO ISSUE LONG-TERM DEBT
OF \$2.810 MILLION
DOCKET NO. W-02304A-09-XXXX

On March 26, 2009, Community Water Company of Green Valley ("CWCGV") filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing it to obtain a five-year term loan in the amount of \$2.810 million with a 20-year amortization and a 5-year balloon payment. The purpose of the application is for CWCGV to refinance \$2.5 million Line of Credit and to finance \$310,000 in needed capital improvements. This Application is available for inspection during regular business hours at the offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix Arizona, 85007, and on the internet via the Commission website (www.azcc.gov) using the eDocket function. Copy of the application is also available at CWCGV's offices, at 1501 South La Canada, Green Valley, Arizona.

You may have the right to intervene in the proceeding. Intervention shall be in accordance with A.A.C. R-14-3-105. If you wish to intervene you must file an original and 13 copies of a timely written motion to intervene with the Commission and send a copy of the motion to the Applicant or its counsel and to all parties of record. The motion must, at a minimum, contain the following:

1. Your name, address, and telephone number and the name, address, and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made; if different from the intervenor.
2. A short statement of your interest in the proceeding (e.g. a customer or potential customer of the Applicant, etc.)
3. A statement certifying that you have mailed a copy of the motion to intervene to the Applicant or their counsel and to all parties of record in the case.

If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor obtaining counsel to represent the intervenor. For more information about requesting intervention, visit the Commission's website at <http://www.azcc.gov/divisions/utilities/forms/interven.pdf>.

The granting of intervention, among other things, entitles a party to request a hearing. If a hearing is ordered, an intervenor is permitted to present sworn evidence at hearing and to cross-examine other witnesses. Failure to intervene, however, will not preclude any interested person or entity from providing public comment on the application. The Commission anticipates considering this matter at a future Open Meeting. Public comment regarding the application will be taken at that time. For a form to use and instructions on how to email comments to the Commission, go to http://www.azcc.gov/divisions/utilities/forms/public_comment.pdf, or call 1-800-222-7000. Written public comments may also be submitted in this case by mailing a letter referencing Docket No. E-02304A-09-XXXX to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington Street, Phoenix 85007.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request reasonable accommodations such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin A. Bernal, E-mail SABernal@azcc.gov, voice telephone number (602) 542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.